
Principles of Financial Accounting I

Fall Semester



Principles of Financial Accounting I



Ray Gregg

GC 3F 10

495-6561

9:50 M

10:50, 3:30 Tu

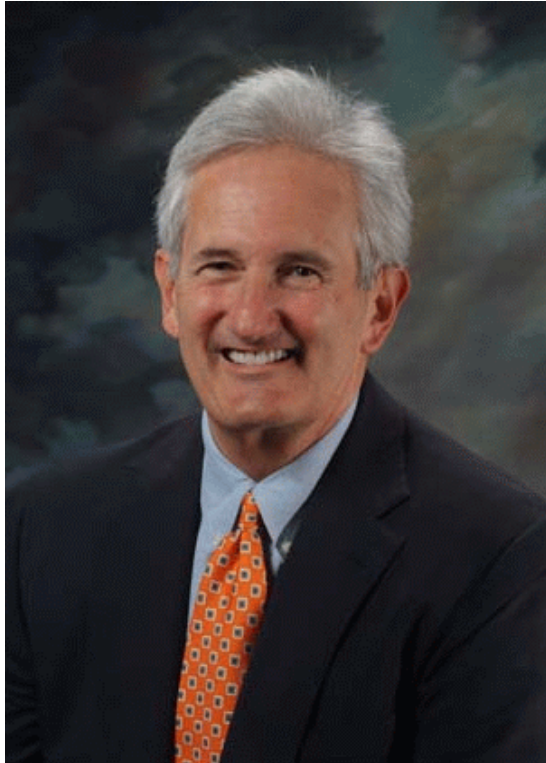
1:30, 3:30 W

10:30 Th

3:30 F



Principles of Financial Accounting I



Bill Elliott

CG 3F12

bellott@oru.edu

12:00 - 2:00 Tuesday

12:00 - 1:30 Wednesday

3:30 - 4:00 Wednesday

12:00 - 2:00 Thursday

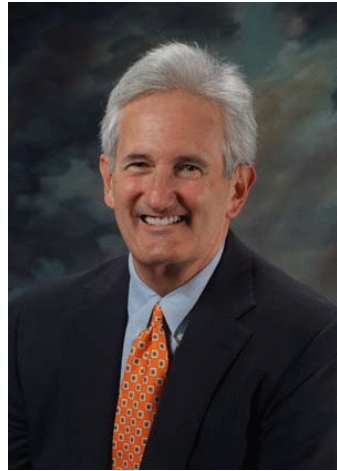
12:00 - 1:30 Friday

3:30 - 4:00 Friday



Principles of Financial Accounting I

Cooperating Teachers



- **Same syllabus**
- **Same assignments**
- **Same exams**
- **Same quizzes**



Orientation

Quick Version

- **Bookstore Information**
- **Syllabus; BYP handout**
- **First Homework Assignment**
- **Labs**
- **Lecture Attendance Sheets**



Accounting...



Accounting...

...the **LANGUAGE** of business



Accounting...

...the LANGUAGE of business

Business Entity Concept



Accounting...

...the **LANGUAGE** of business

Business Entity Concept

**economic units considered separate
and distinct from its owners**



Accounting...

...the LANGUAGE of business

Business Transaction



Accounting...

...the **LANGUAGE** of business

Business Transaction

**event, occurrence, or condition
that needs to be recorded;
usually in monetary terms**



Accounting...

...the LANGUAGE of business

Assets



Accounting...

...the LANGUAGE of business

Assets

W,K,&K: ...resources owned by a business



Accounting...

...the LANGUAGE of business

Assets

W,K,&K: ...resources owned by a business

@ ORU: things of value that are owned



Users

of accounting information

Users

of accounting information

- Profit-making entities (businesses)



Users

of accounting information

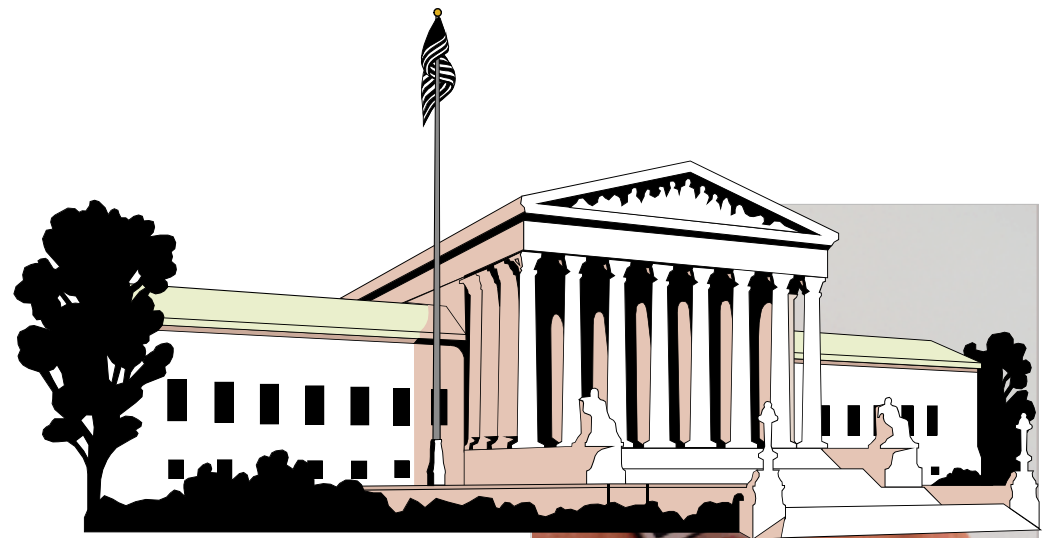
- Profit-making entities (businesses)
- Non-profit organizations



Users

of accounting information

- Profit-making entities (businesses)
- Non-profit organizations
- Governmental units



Users

of accounting information

- **Profit-making entities (businesses)**
- **Non-profit organizations**
- **Governmental units**
- **Individuals**



Accounting...

...the LANGUAGE of business

Assets

things of value that are owned



Accounting...

...the LANGUAGE of business

Equities



Accounting...

...the LANGUAGE of business

Equities

rights or claims to properties (assets)



Accounting Equation

ASSETS = EQUITIES



Types of Equities



Types of Equities

LIABILITIES: debts, things owed



Types of Equities

LIABILITIES: debts, things owed

OWNER'S EQUITY
or **CAPITAL**



Types of Equities

LIABILITIES: debts, things owed

OWNER'S EQUITY
or **CAPITAL** } residual claim



Accounting Equation

ASSETS = EQUITIES



Accounting Equation

ASSETS = EQUITIES

ASSETS = LIABILITIES + OWNER'S EQUITY



Accounting Equation

ASSETS = EQUITIES

ASSETS = LIABILITIES + OWNER'S EQUITY

ASSETS = LIABILITIES + CAPITAL



Accounting Equation

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Accounting Equation

ASSETS = LIABILITIES + OWNER'S EQUITY



Accounting Equation

ASSETS = LIABILITIES + OWNER'S EQUITY

1) + +



Accounting Equation

ASSETS = LIABILITIES + OWNER'S EQUITY

1) + +

2) - -



Accounting Equation

ASSETS = LIABILITIES + OWNER'S EQUITY

1) + +

2) - -

3) + -



Accounting Equation

ASSETS = LIABILITIES + OWNER'S EQUITY

1) + +

2) - -

3) + -

4) + -



Accounting Equation

A student decided to offer his services as a tutor for fellow students who had difficulty with their classes.



Accounting Equation

With a \$100 deposit, he opened a separate bank account to use solely for tutoring enterprise.

ASSETS = LIABILITIES + OWNER'S EQUITY



Accounting Equation

With a \$100 deposit, he opened a separate bank account to use solely for tutoring enterprise.

$$\begin{array}{rcl} \text{ASSETS} & = & \text{LIABILITIES} + \text{OWNER'S EQUITY} \\ +100 & & +100 \end{array}$$



Accounting Equation

Purchased \$20 of supplies for cash.

ASSETS = LIABILITIES + OWNER'S EQUITY



Accounting Equation

Purchased \$20 of supplies for cash.

ASSETS = LIABILITIES + OWNER'S EQUITY
-20 +20



Accounting Equation

Tutored student who promised to pay on Friday, \$10.

ASSETS = LIABILITIES + OWNER'S EQUITY



Accounting Equation

Tutored student who promised to pay on Friday, \$10.

$$\begin{array}{rcl} \text{ASSETS} & = & \text{LIABILITIES} + \text{OWNER'S EQUITY} \\ +10 & & +10 \end{array}$$



Revenue

(increases owner's equity)



Revenue

(increases owner's equity)

**Assets coming into the
business for work performed ...**



Accounting Equation

Placed \$15 advertisement in student newspaper to be paid next week.

ASSETS = LIABILITIES + OWNER'S EQUITY



Expense(s)

(decreases owner's equity)



Expense(s)

(decreases owner's equity)

**sacrifices made in order
to earn revenue**



Accounting Equation

Received \$40 from students tutored.

ASSETS = LIABILITIES + OWNER'S EQUITY



Accounting Equation

Received \$40 from students tutored.

$$\begin{array}{rcl} \text{ASSETS} & = & \text{LIABILITIES} + \text{OWNER'S EQUITY} \\ +40 & & +40 \end{array}$$



Accounting Equation

Paid student newspaper for ad placed earlier.

ASSETS = LIABILITIES + OWNER'S EQUITY



Accounting Equation

Paid student newspaper for ad placed earlier.

$$\begin{array}{rcccc} \text{ASSETS} & = & \text{LIABILITIES} & + & \text{OWNER'S EQUITY} \\ -15 & & -15 & & \end{array}$$



Accounting Equation

Received payment from student who earlier had promised to pay.

ASSETS = LIABILITIES + OWNER'S EQUITY



Accounting Equation

Received payment from student who earlier had promised to pay.

ASSETS = LIABILITIES + OWNER'S EQUITY

Is this REVENUE???



Accounting Equation

Received payment from student who earlier had promised to pay.

ASSETS = LIABILITIES + OWNER'S EQUITY
+10 -10

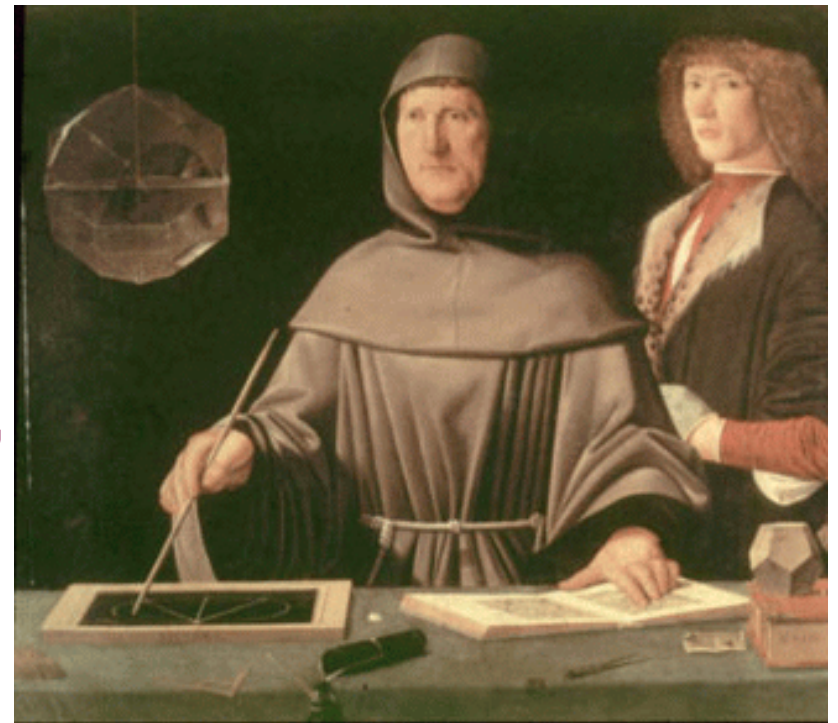


The “Father of Accounting”

Luca Pacioli 1445 - 1517

“...described a system to ensure that financial information was recorded efficiently and accurately.”

Accounting Principles, Weygant, et.al., 8th ed, pg 5

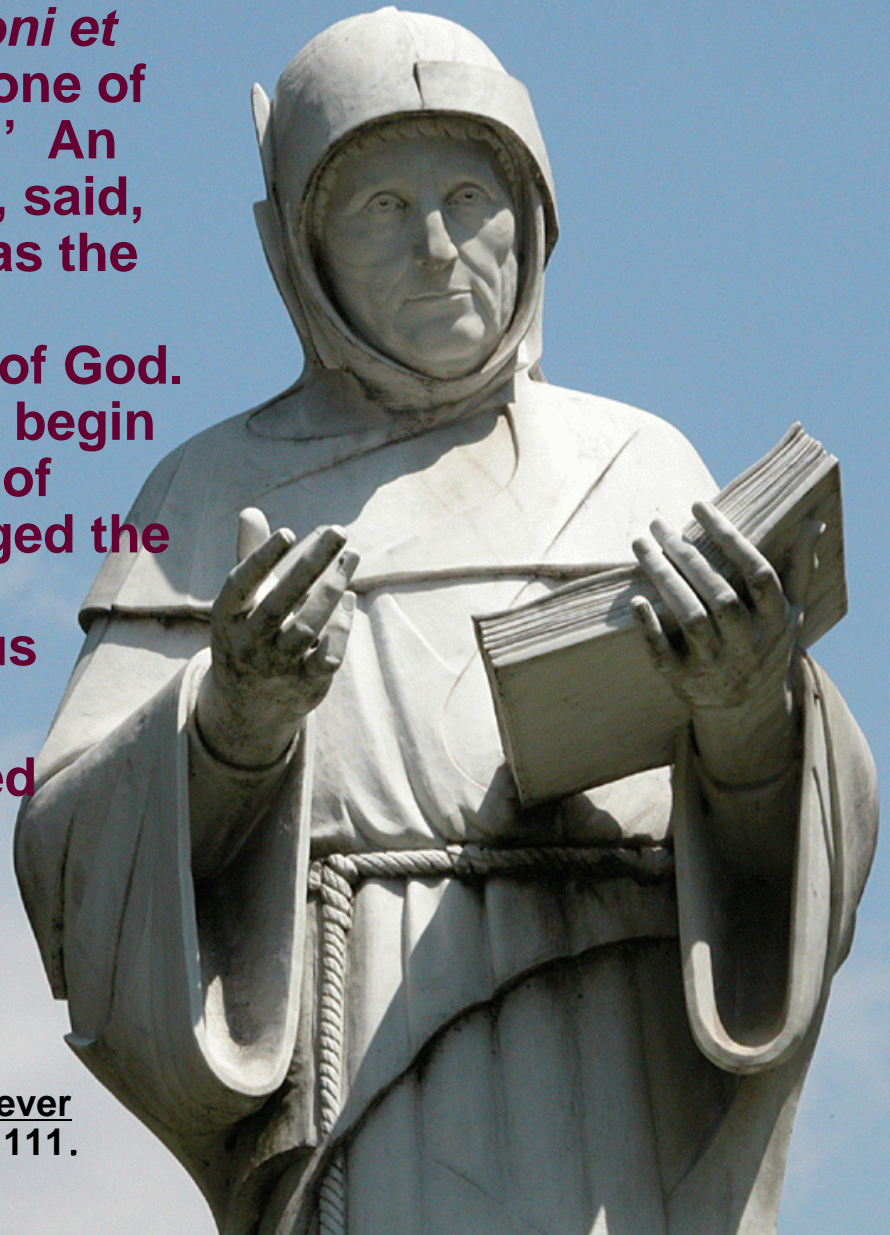


<http://www.dartmouth.edu/~matc/math5.geometry/unit6/unit6.html>

The “Father of Accounting”

“Pacioli...published a revolutionary book in 1494, *Summa de Arithmetica, geometria, proportioni et Proportionalita*... Goethe said that this was ‘one of the finest discoveries of the human intellect.’ An economist and sociologist, Werner Sombart, said, ‘...bookkeeping is born with the same spirit as the system of Galileo and Newton.’

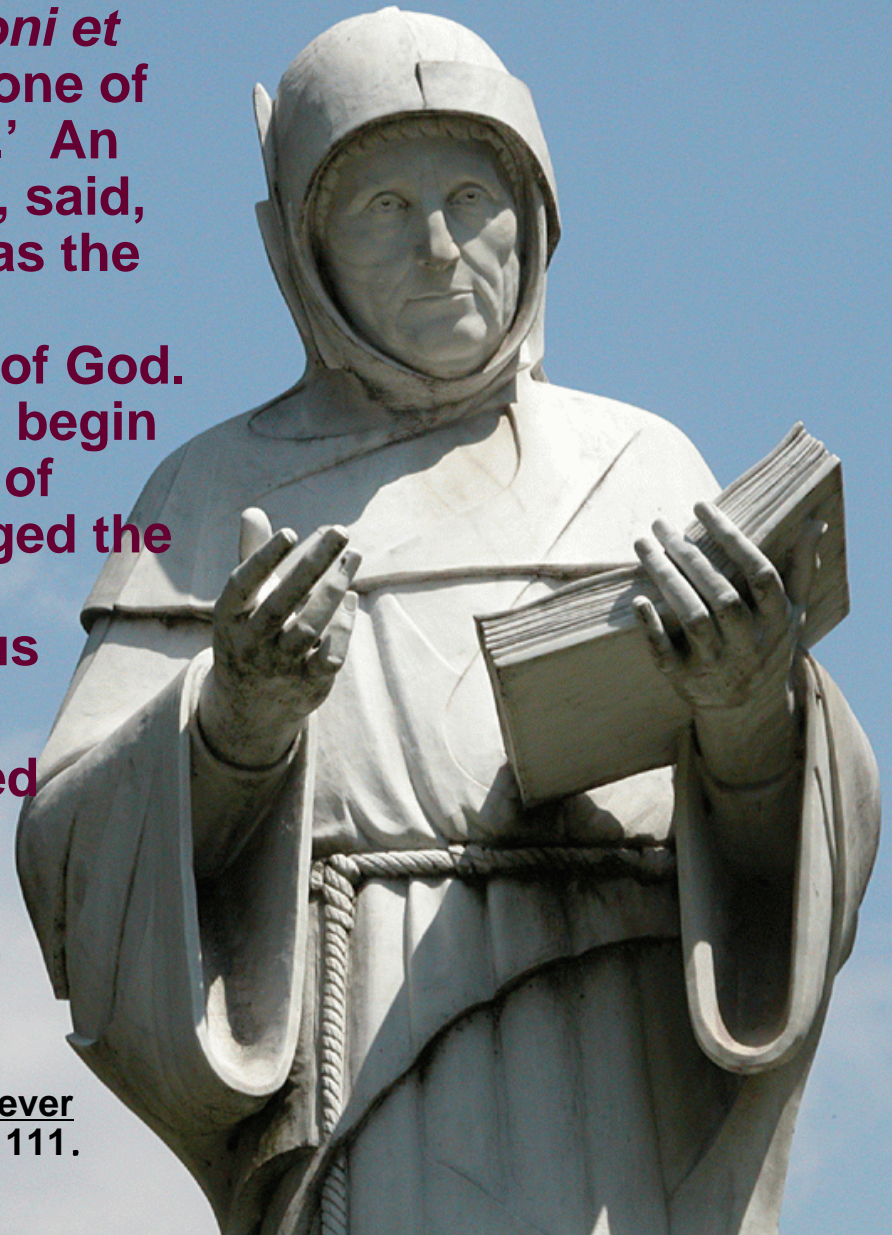
Pacioli’s work was dedicated to the glory of God. ...He wrote in the *Summa* that people should begin all their economic transactions ‘in the name of God.’ The methodology he developed changed the future of business forever and led to the development of spread sheets. His ingenious accounting equation of ‘ $Assets = Liabilities + Owner’s Equity$ ’ is used worldwide today. This humble servant of Jesus Christ has provided the world a vital tool for business — to the greater glory of God.”

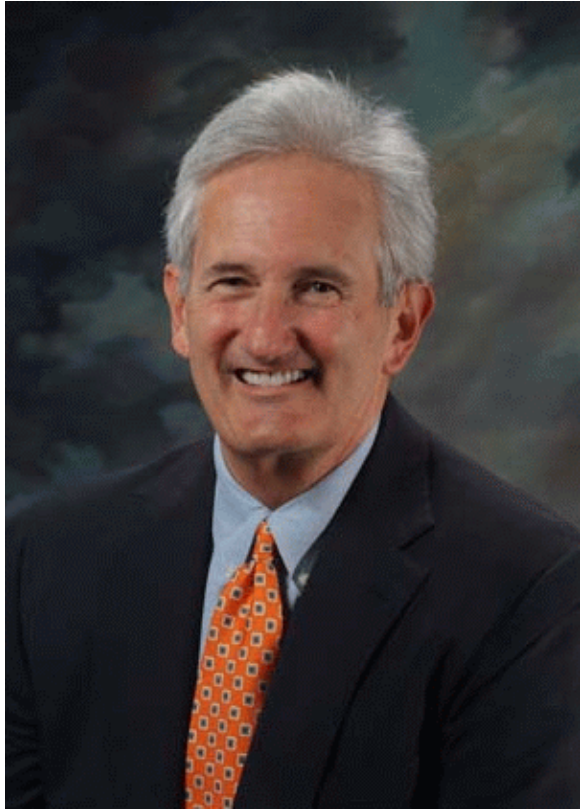


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We hope you have a great day, a great week, and a great semester!

